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NRA SHOW SPECIAL REPORT

The Chicago market: A style of its own

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Reagan to launch 70th NRA Show

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EQUIPMENT

grill etition

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NEWSPAPER

SECOND CLASS

Nation's

Restaurant News®

The Weekly Newspaper of the Food-Service Industry

Vol. 23, No. 20 | Published every Monday by Lebhar-Friedman Inc.; $3 a copy, $29.50 a year | May 15, 1989

NRN photo

Sherry Delmarter, co-owner and co-founder of the Cowgirl Hall of Fame, with chef Jerry Cox.

Cowgirl Hall of Fame bucks the NY bronco with barbecue and brass

By Milford Prewitt

NEW YORK — The Cowgirl Hall of Fame is as much an act of defiance as it is a barbecue restaurant.

It's a symbol of rebellion against commercial landlords who demand much in rent but give little in return.

It's a slam dunk in the face of restaurant consultants whose market analyses project where a restaurant should go and what the concept should be.

It's an anti-establishment rebuke to city laws that dictate how food can be prepared.

More than anything else, Cowgirl is a rug being snatched from under the macho, cowboy, Hollywood-induced mystique that women never bronco-busted, never helped settle the West, and were best represented by Annie Oakley or Dale Rogers.

*(See **COWGIRL**, page 4)*

Widening use of coupons clips restaurant margins

By Rajan Chaudhry

As the battle for customers intensifies, price promotions at the nation's eating places are escalating from the occasional fix to full-blown addiction.

Although carefully planned coupon programs can boost traffic counts and sales, excessive discounting is eroding margins and undermining pricing structures.

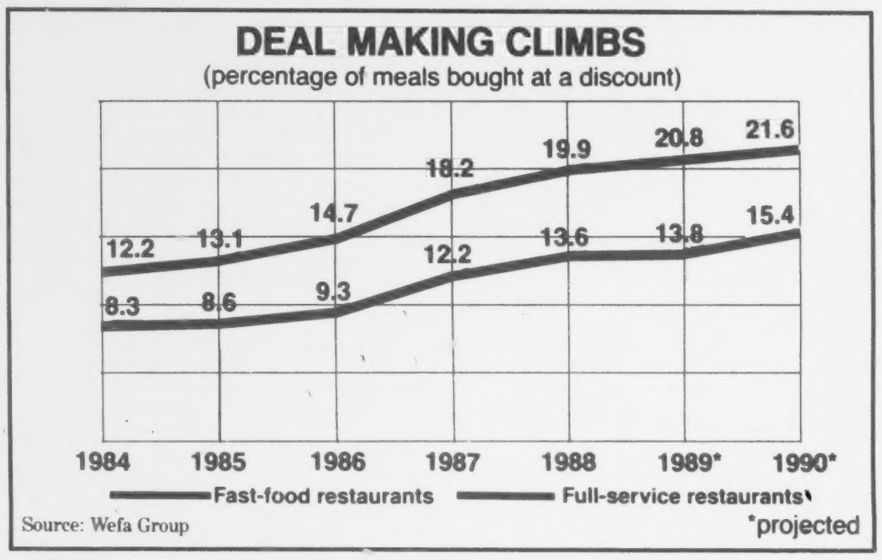
Heavy discounting has already slashed profits at the likes of Wendy's International Inc., Rax Restaurants Inc., and Taco Villa Inc., and it is forcing independent operators into the price-chopping fray.

"Discounting is a quick needle in the arm — a quick shot — but it doesn't last," asserted Leon Gottlieb, president of the Tarzana, Calif.-based restaurant consulting firm bearing his name.

"Price is not the first determining factor in building a customer base," he said. "It's good, speedy service that effects long-term results."

From 1984 to 1988, the pro-

*(See **COUPONS**, page 125)*



Operators to President Bush: Veto the minimum-wage hike

By Milford Prewitt

Food-service operators, citing fears of inflation and a customer revolt, are sending President George Bush a resounding plea to veto legislation raising the federal minimum wage to $4.55 from $3.35 an hour.

NRN HOT LINE

By a margin of nearly 5-to-1, callers in an exclusive Nation's Restaurant News toll-free, phone-in poll said yes to the survey question "Should Bush veto the minimum wage?"

Of the 310 persons who called the 24-hour NRN Hot Line to vote and make a statement, 252 (81 percent) were against minimum-wage hikes and urged President Bush to veto the Senate measure.

Fifty-four callers (17 percent) wanted the president to approve the minimum-wage-hike legislation.

Four callers, middle-of-the-roaders, saw merit on both sides of the issue but did not vote.

The bill, which has passed

*(See **OPERATORS**, page 125)*

Domino's Pizza deep-dishes it out

By Rick Telberg

ANN ARBOR, Mich. — Domino's Pizza's $25 million gamble on pan pizza is turning up the heat on a bitter rivalry among national titans that has already gone beyond the flash point.

The 5,000-unit delivery-only chain's earlier-than-expected national rollout comes at a time when segment leader Pizza Hut and third-place player Little Caesar's have taken the pizza wars from the nation's airwaves to a courtroom in a legal fight over the phrase "two great pizzas, one low price."

"The competition is boiling," said Pizza Hut spokesman Roger Rydell. "And Domino's pan pizza is only going to make things hotter."

Domino's deep-dish thrust is the company's first new menu item to be rolled chain-wide since chairman Thomas S. Monaghan founded the concept built exclusively on delivery 29 years ago.

"It's a pretty scary thing," Monaghan said. "The potential is that it could complicate our system, which is based on simplicity."

The stakes are huge: By most estimates, piz-

*(See **DOMINO'S**, page 125)*

FOOD WATCH

What's that smelt?

CHICAGO — The smelt are running in Lake Michigan, and several local restaurants are serving them, although most of the catch comes from cleaner waters in Canada.

Binyon's $6.95 smelt special includes a large portion of floured and pan-fried smelt, hash browns, and coleslaw. Greek Islands West in Lombard serves rice, mixed vegetables, or a potato with its smelts for $6.25.

Smelts in appetizer portions are served at Shaw's Crab House downtown and Shaw's Blue Crab in Deerfield. Most smelt specials will end sometime in May.

— Carolyn Walkup

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Subscription rate: food-service operators and wholesalers-distributors, one year, $29.50, two years, $49.50; auxiliary (consultants, architects, designers, manufacturers, suppliers, and schools) and all others, $59.

Nation's Restaurant News (ISSN 0028-0518) is published weekly, every Monday except the last Monday in December, by Lebhar-Friedman Inc., 425 Park Ave., New York, N.Y. 10022. Second-class postage paid at New York, N.Y., and additional mailing offices. POSTMASTER: Send change of address to: Subscription Department, Nation's Restaurant News, 305 Madison Ave., Suite 535, New York, N.Y. 10165-0079.

For change of address, please write Subscription Department, Nation's Restaurant News, 305 Madison Ave., Suite 535, New York, N.Y. 10165-0079. Six weeks' notice is requested. Please send old and new address and zip codes. If possible, include mailing label.

Vol. 25, No. 20 May 15, 1989

NEWS DIGEST

McDonald's joins fray with credit card test

CHICAGO — McDonald's has joined the pack of fast feeders racing to find a feasible way for patrons to pay with credit cards.

The world's largest restaurant company recently began accepting the Visa card at three locations here and in the suburbs.

Other fast-food chains currently testing credit-card payment systems include Arby's, Wendy's, and Skipper's. Those chains report that new technology enables credit-card transactions to be handled in a fraction of the usual time.

Brown Derby of Ohio sues Disney's new theme park

ORLANDO, Fla. — Walt Disney Co., the zealous guardian of its own copyrighted names and characters, has been sued for $25 million for using the name "Brown Derby" for a restaurant at its new Disney-MGM Studios theme park here.

Brown Derby Inc., the Cleveland, Ohio-based operator of a 36-unit steak-house chain of that name, filed the copyright infringement suit in U.S. District Court here. The chain, which has units in Florida, claims national rights to the Brown Derby name.

A Disney spokesman said rights to the theme park's operating replica of the famous Hollywood restaurant, birthplace of the Cobb salad, were legally obtained from Los Angeles Brown Derby owner Walter Scharfe.

Karcher trial ordered after deal collapses

LOS ANGELES — Carl N. Karcher, founder of the Carl's Jr. fast-food chain, was ordered to stand trial June 6 on insider-trading charges after the collapse of a proposed settlement of a civil suit stemming from the alleged misdoings.

The tentative deal, which reportedly called for Karcher to pay a $332,000 fine, fell apart when federal prosecutors refused to guarantee that criminal charges will not be filed against the Carl Karcher Enterprises chairman.

Six of Karcher's relatives, co-defendants in the suit, would also have been required to pay $332,000. That was the amount they saved by selling company stock after Karcher allegedly tipped them in late 1984 that the Anaheim, Calif.-based firm would report a 50-percent earnings decline.

Lawyers believe a settlement still might be reached, according to a published report. The suit against the seven defendants could draw fines totaling $2.3 million.

Pizza Hut lands grant to hire 2,000 workers

WICHITA, Kan. — Pizza Hut said it has been granted a $500,000 federal grant to employ 2,000 severly disabled workers in 800 Pizza Huts during the next three years.

The workers will fill a number of positions in both dining rooms and kitchens. Pizza Hut said it will also restructure jobs to meet the needs of disadvantaged employees.

The funds have been granted by the U.S. Department of Special Education and Rehabilitation.

ShowBiz gives Hallwood the rights to 13 units

IRVING, Texas — ShowBiz Pizza Time Inc., the operator of the ShowBiz and Chuck E. Cheese pizza-and-games chains, said it has granted development rights for 13 restaurants to the Hallwood Group, a large shareholder and longtime backer of the concern.

Hallwood, a Cleveland, Ohio-based investment company, guaranteed certain loans that were granted to ShowBiz to finance its recent spinoff from Integra, a hotel operator also based here. Earlier, Hallwood had financed the turnaround of Integra, which was formerly known as Brock Hotel Corp.

Hallwood has never operated a restaurant.

National buys 12 kitchens to grow pizza business again

PITTSBURG, Kan. — After failing in its attempt to acquire a new concept, National Pizza Co., the largest franchisee of Pizza Hut, is growing its pizza business again through the acquisition of 12 delivery kitchens in Birmingham, Ala. Terms were not disclosed.

The company here said it would convert the units to Pizza Hut delivery outlets within six months. It did not identify the present chain affiliation of those outlets.

Earlier this year, in an attempt to ensure its longtime expansion prospects, National sought in vain to acquire Skipper's, a quick-service seafood chain based in Bellevue, Wash. At the time National said its growth in the pizza segment was stymied by an aggressive acquisition program being waged by Pizza Hut, which is a holding of cash-rich Pepsico.

Fleisher, former RA exec, succumbs to heart attack

NEW YORK — Larry Fleisher, a lawyer and accountant who was executive vice president of Restaurant Associates in its glory days of the 1950s and '60s, died of a heart attack here earlier this month. He was 58.

A highly regarded labor leader, Fleisher gained fame for organizing the National Basketball Association Players Association in 1964 and serving as its chief for many years. Fleisher stepped down as Players Association chief last October after renegotiating a strong new contract.

Krause plans entry into Mexican field

NEW YORK — Richard Krause, the much-praised California chef here, said he would cast his toque into the burgeoning upscale Mexican market by converting his Melrose restaurant into a place featuring the cuisines of Mexico's Ixtapa region.

The restaurant, to be called Ixtapa, will be the latest in a growing field of restaurants here featuring Mexican foods that are a far cry from the tacos and burritos. Recently, Ark Management opened its first Mexican place, called Gonzalez Y Gonzalez. El International, a tapas place, was recently converted into a Mexican hybrid called El Teddy.

Krause introduced many New Yorkers to California cuisine at his now-closed Baton's.

Tower set to unveil tropical restaurant

SAN FRANCISCO — Chef Jeremiah Tower, a pioneer in the American regional cuisine movement, said he would open his second restaurant here, the tropical-themed Speedo 690, this month.

Speedo 690 is situated in the remodeled Speedo Carburetor Shop, around the corner from Stars, Tower's American brasserie.

The new restaurant will serve the "foods you always wanted to have at your favorite beach resort but could never get," said one Tower aide. The chef, she said, will create a "new style" of food by combining flavors from such places as India, Singapore, Hawaii, the Caribbean, and Morocco.

Winners rebuffs the NYSE after trading accelerates

BRENTWOOD, Tenn. — Winners Corp., operator of the Mrs. Winner's fried-chicken chain, has declined a request from the New York Stock Exchange for a possible explanation of why Winners shares were trading at a dizzying pace.

On a recent day about 129,000 Winners shares changed hands. That compares with an average volume of 6,040. The NYSE asked Winners to issue a statement citing any corporate matters that might have supercharged trading activity.

A few weeks beforehand Winners said it had retained an adviser to explore such "strategic alternatives" as selling Mrs. Winner's.

FINANCIAL NEWS

Chili's profits leap 67% on 19.5% rise in revenues

By Peter Romeo

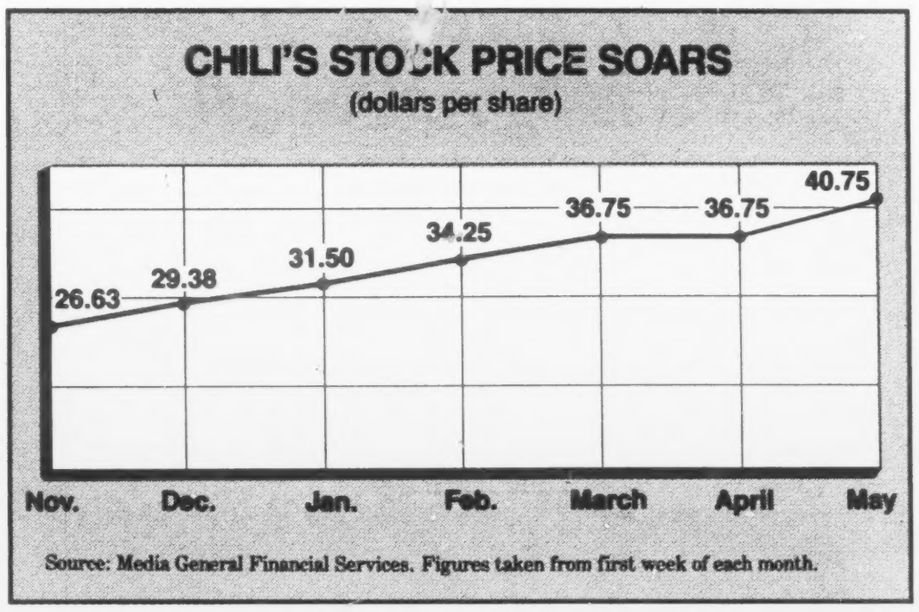
DALLAS — The management of Chili's Inc. has burnished its sterling reputation by squeezing a 67-percent spurt in net income from a 19.5-percent rise in revenues for the third quarter ended March 31.

Earnings for the quarter totaled $3.1 million, on revenues of $69.4 million, the dinnerhouse operator said.

Management said it would distribute 50 percent of the net income as a cash dividend to shareholders.

The company attributed the disproportionate rise in profits in part to a cost-containment crusade under way within the 165-unit Chili's chain.

"We have a number of programs in place to manage the restaurants more efficiently, primarily in the area of utility and labor management," Jim Parish, Chili's chief financial officer, said in an interview. "We have been experiencing increases in our store profit margins." At a recent meeting with portfolio managers, he pegged that increase at 1.2 percent.



The chain has adopted an in-store computer package that facilitates labor scheduling. And Chili's is combatting creeping commodity costs by coordinating a back-of-the-house push to cut food wastage. For instance, kitchen staffs are rewarded if they lower the number of meals they overcook and have to discard.

"We've also been helped on the utilities side because fuel costs have been falling, and the utility companies have passed that savings along to us," Parish said.

Revenue gains were driven by the opening of six company-run Chili's units and one Grady's outlet during the quarter.

"Usually it takes a while for a new restaurant to come up to the speed of a seasoned restaurant, but the units we've opened this year have been

*(See **CHILI'S**, page 124)*

Pepsico's earnings rise 46%

By Rajan Chaudhry

PURCHASE, N.Y. — Buoyed by gains from its Pizza Hut, Kentucky Fried Chicken, and Taco Bell operations, Pepsico Inc. uncapped a 46-percent increase in net income on a 19-percent year-to-year rise in sales for its first quarter ended March 25.

Pepsico, a restaurant, soft-drink, and snack foods giant, boosted its net income to $165.1 million for the quarter, while sales advanced to nearly $3 billion, the company said.

Restaurant group earnings soared 43 percent year-over-year, to $66 million. And restaurant sales rose 27 percent, to $1.07 billion.

Marketing programs, improved delivery business, and strong international results teamed to make Pizza Hut the top performer in Pepsico's restaurant portfolio, the company said.

Pizza Hut booked profits of $37 million, a 64-percent increase over the same period's profits last year, and recorded a 25-percent gain in sales, to $515 million. Comparable-store sales for domestic company-owned Pizza Huts leaped 13 percent year-over-year, Pepsico said.

Taco Bell, the company's fast-food Mexican entry, posted a 26-percent gain in profits, to more than $11 million, on a sales hike of 29 percent, to $280 million.

Pepsico attributed Taco Bell's improved results to the Mexican chain's new reduced-price menu. The revamped menu helped boost comparable-store sales for U.S. company-owned units by 18 percent, Pepsico said.

KFC turned in the weakest comparisons of the three Pepsico restaurant divisions as higher chicken and labor costs crimped profits at domestic units.

Despite the margin pressures, KFC International's sales increased 22 percent, and earnings rose 8 percent for the March-ended quarter. And same-store sales at company-owned domestic KFC units advanced 7 percent, Pepsico said.

FOOD PRICE OUTLOOK

Cod and scallop supplies lower

Although the strike of Newfoundland fishery workers didn't disrupt the market as much as had been expected, supplies of frozen **cod** blocks and slabs are dwindling. On the other hand, prices have remained fairly level for the past three months.

There are two reasons for the lack of market reaction.

One is that Canadian sources had built up fairly strong supplies before the strike. They are still shipping. At the same time, U.S. processors had good inventories, which are now being pulled down.

Even with the settlement of the strike, the major effects won't show up for some weeks when supplies are further depleted. Don't expect floods of blocks coming in soon, because it takes time for the fishing fleets to get up to full production, and they have missed one of the most productive fishing periods.

Heavy **scallop** inventories have dwindled. No shortage exits; supplies are merely coming into line with demand, which is still strengthening. Even though Iceland won't be producing until well into June, good supplies are available from other countries. Nonetheless, expect prices to move up with stronger demand.

Look for tight supplies for most frozen **vegetables** through the rest of the year. Stocks are so depleted from last year's drought-affected packs that processors will probably keep prices high and may even allocate product. Food-service sizes are short in a number of vegetables, especially **peas** and **green beans.**

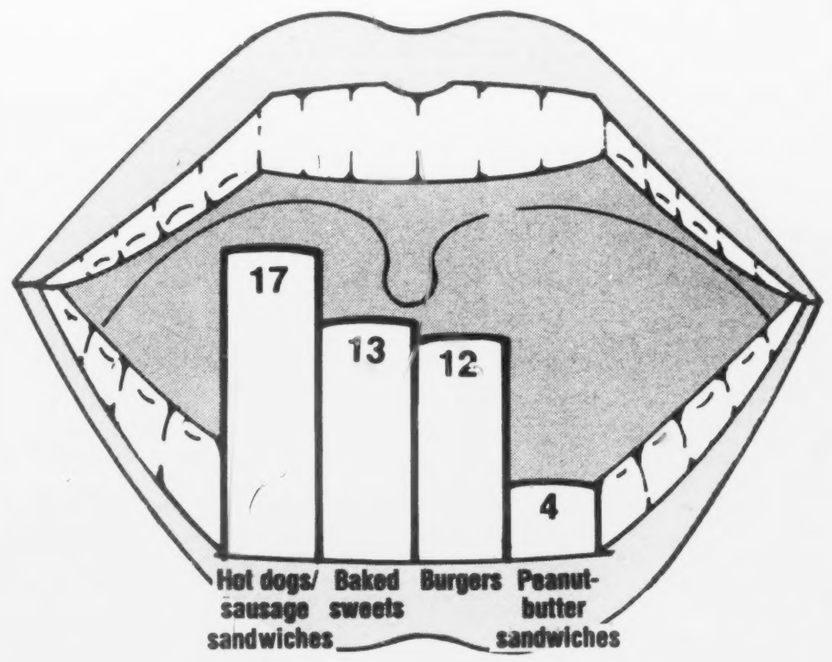
— Patt Patterson

FACT FILE

A look at the statistics shaping the industry

HOT DOGS PLAY KETCH-UP

(percent decline in frequency of consumption from 1978 to 1988)



Source: MRCA Information Services

NRN FINANCIAL DIGEST

National Pizza expects 11% profit rise

PITTSBURG, Kan. — Despite heavy losses resulting from its aborted buyout of Skipper's Inc., National Pizza Co. said it expects to report an increase in net income of more than 11 percent on a sales gain of more than 18 percent for its year ended March 31.

National Pizza, Pizza Hut's largest franchisee, projected net income would exceed $9.7 million on net sales of about $141.8 million for the year.

Expenses related to the company's ill-fated tender offer reduced fourth-quarter pretax income by more than $400,000, it said.

The company was forced by franchisor Pizza Hut to abandon its efforts to buy the Skipper's fast-food seafood chain in March.

National Pizza, which operates 321 Pizza Hut units, also said the quarter included reserve additions of $300,000.

Discounting takes toll on Taco Villa

DALLAS — Taco Villa said bad weather and heavy competitive discounting landed the operator and franchisor of Mexican fast-food restaurants $507,000 in the hole for its first quarter ended March 29.

In last year's first quarter, the company booked earnings of $6.4 million after a $6.5 million aftertax gain on the sale of its Applebee's restaurants.

Sales and closings of restaurants slashed revenue for the latest quarter 33 percent, to about $12 million, the company said.

Taco Villa operates and franchises 148 Del Taco and Taco Villa restaurants.

Asset sales fuel Holiday gains

MEMPHIS, Tenn. — Proceeds from the sale of hotels and property helped boost Holiday Corp.'s first-quarter net profits to $34.4 million, compared with a loss of $18.8 million for the year-ago period.

Gains on the sale of about 30 hotels and property, which totaled $57.6 million, hiked operating income 53 percent for the quarter ended March 31, to $124.9 million, the company said.

Because the company owned fewer hotels, first-quarter total revenues dipped 7.3 percent, to $367 million, compared with the $396 million reported for the year-ago period, Holiday said.

Interest expenses declined 17 percent, to $62.4 million, because of lower debt levels and the addition of notes received as part of the proceeds from the sale of the company's international assets last May.

Holiday's brands include Holiday Inn, Hampton Inn, Embassy Suites, Homewood Suites, and Harrah's.

FOR THE LATEST STOCK MARKET TABLES, SEE PAGE 126

FOCUS | OPINION

Nation's Restaurant News

is published by
LEBHAR-FRIEDMAN INC.
425 Park Ave., New York, NY 10022
212 371-9400
Subscription Services, ext. 379 or 419
Cable Address: LEBHAFRIED
Panafax: 212 838-9487

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Publisher of Nation's Restaurant News, Discount Store News, National Home Center News, Drug Store News, Accounting Today, Computer&Software News, Chain Store Age Executive (with Shopping Center Age), *APPAREL merchandising*. Affiliates: Business Guides Inc., Lebhar-Friedman Books; Inside Retailing (Newsletter); Chain Store Age News, Japan; Largo Music Inc.

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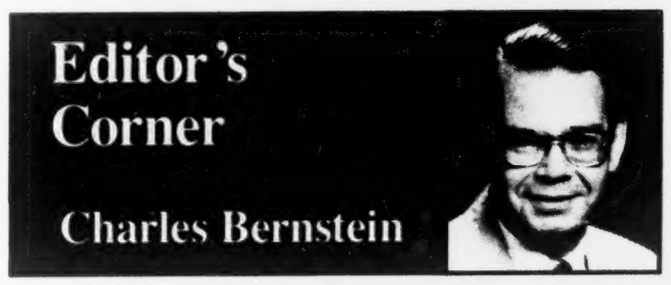
INS terror tactics harass operators

The 2-year-old Immigration Reform Act has turned into a nightmare of fines, threats, non-stop paperwork, and overzealous enforcement by the Immigration and Naturalization Service "trying to catch illegal aliens working at restaurants."

This constant harassment, intended to prove that legalities will be upheld, exacerbates the labor crisis and makes scapegoats of restaurant owners. Unfortunately, the smaller independent restaurants are the most vulnerable and the hardest hit.



We have now learned of a particularly terrifying case that has surfaced, dramatizing how things can get out of control under the new regulations. One evening earlier this year, INS agents entered Waikiki's Black Orchid restaurant with guns drawn, herded customers out, and detained employees for hours.

The agents reviewed every possible employee record. Their findings on any violations: absolutely zero.

As Gary Hotchkin, executive director of the Hawaii Restaurant Association, put it: "The powers vested in the INS are being seriously misused. How ironic that an agency charged with the security of the borders of the United States can charge business for the agency's own incompetence. An investigation is needed on the constitutionality of vesting citation powers and determination of fines in one agency."

Hotchkin asserted that the agents' strong-arm actions at the Black Orchid restaurant "come close to Gestapo tactics." He has pleaded with Sen. Daniel Inouye, D.-Hawaii, and Rep. Patricia Saiki, R.-Hawaii, to "assist us in returning the Gestapo to the history books, giving the INS greater responsibility for border security, reducing their incompetence in that area of primary responsibility, and initiating a paperwork reduction act to void the I-9 form."

A number of restaurateurs are convinced that the I-9 forms are totally befuddling and the biggest waste of time ever invented.

One harried Texas restaurateur calls INS agents "power-mad bureaucrats operating totally beyond the pale of reasonable restraints on government activities."

In effect, the INS agents seek to terrorize a handful of restaurant owners so the word spreads and fear is thrown into operators on the "illegal aliens" issue.

Another restaurateur who is telling the world that "I'm mad as hell, and I'm not going to take it anymore" is Chuck Mahowald of Ponaks restaurant, Kansas City, Mo. He has filed a court action protesting "an unfair situation" in which the INS assessed $6,900 in penalties for purported immigration law hiring and bookkeeping violations. The INS had arrested an "illegal alien" who was a janitor at Ponaks, a Mexican restaurant.

For those who think that the Immigration Reform Act just means threats and harassment, consider that almost $200,000 in fines has been levied against restaurateurs in the 17 months that the law has been enforced.

Furthermore, restaurant owners and managers are being saddled with the endless paperwork of I-9 forms, where they must certify that they have examined the documents of each employee hired and that each has a legal work status.

If this turns out not to be the case, an owner is subject to fines and potential jail terms — even (as is usually the case) when he or she honestly believed that the employee had legal work status. What tends to happen is that less experienced managers fail to properly interpret the complex INS forms.

At the very least the owners are blamed for something over which they do not have full control, and at the most they suffer fines, jail threats, and humiliation by the INS. All this occurs while the beleaguered restaurateurs are again snowed under in a veritable avalanche of bureaucratic immigration and tax paperwork from the government.

"Why, in this melting pot of America, are INS agents trying to fine us for giving opportunities to people, some of whom are doing jobs that other people simply won't do?" an Indiana restaurateur asks.

We don't have the real answer to that question. But it would be better for all concerned if the INS concentrated on its primary obligation of preventing illegal aliens from crossing the Mexican border into the U.S., instead of making restaurateurs the scapegoats for the INS' own failings.

LETTERS

Environmental pollution is everybody's problem

Editor, NRN:

While I am involved in the restaurant industry, I also am concerned with environmental issues. I understand that some of your readers may not agree. But I feel that, as an objective publication, you should give equally report on both sides.

Therefore, I would like you to print this letter in response to the two April 17 pollution-related articles that appeared in Nation's Restaurant News. The subject was the smog-control regulations in Los Angeles and a ban on non-recycleable packaging in Minneapolis.

I must ask: What is wrong with us? Are we so concerned with the almighty dollar that we don't even care about the quality of the air *we* breathe, much less about our customers?

I was appalled to read that the California restaurants would sacrifice the quality of their beautiful state, rather than spend the money on emission controls. I understand how expensive it is, but we have only ourselves to blame. If we had paid attention and taken smaller steps 10 years ago, it wouldn't be costing us so much today!

Regarding the plastic packaging ban in Minneapolis, I salute the restaurants that are taking steps to comply. Their concern results in good public relations, too. But the closing statement by James Theros (chairman of Rudolph's Bar-B-Que in the Twin Cities) reflects the more common sentiment: "It's another burden placed on the hospitality industry."

Please, let's stop feeling victimized. It's a fact that fast-food packaging is one of the major causes of America's huge garbage problem. Let's take responsibility for the problem and show some leadership and start to change it!

The restaurant industry, as well as the entire country, must stop thinking only about short-term profits and focus instead on the long-term consequences of our actions, or there will be *no* profits in the future!

— **Barbara Mueller**
Milwaukee

'Little guy' must speak up to fight unfair legislation

Editor, NRN:

Your Editor's Corner, "The little guy: The ultimate victim," was right on target again. For those of us who can only have the middle of the night for reading any current news, your clear and concise reports are always appreciated.

I agree with you and Tom Kershaw that, if we do not get involved in the political process, we may lose our business to government. At the same time, independents that can least afford mandatory health care or parental-leave benefits (of which I know at least 15 in our small resort town) are also those that can least afford the time.

I would suggest that Nation's Restaurant News start a campaign, perhaps with a coupon section in your newspaper, that can be easily completed and mailed to senators and congressmen as well as copied and passed on to other independents.

The responses from the "little guy" they are trying to "help" would overwhelm our legislators.

— **Marta Figel**
president
On the Veranda Restaurant
Highlands, N.C.

'21' Club may be doomed unless ownership changes

Editor, NRN:

In the "New York City's Golden Oldies" article, in the March 13 issue, you credited Ken Aretsky with ownership of "21."

However, that now dubious credit should go to Marshall Cogan, whose ill-advised changes at this once-venerated institution have wrought nothing but trouble, such as endless chef turnover, ex-employee lawsuits, and management shake-ups.

Unless something is done soon to remove him and change ownership so that this unique establishment can be restored to its former greatness, it is doomed to be but a memory.

— **Sydney Palmer Waud**
president
Four Star Cuisine, New York

Coupon use erodes margins

(Continued from page 1)
portion of fast-food meals bought at a discount grew 63 percent, to about 20 percent of meals, while the number of full-service meal deals soared 64 percent, to 13.6 percent of meals, according to the Wefa Group, a Bala-Cynwyd, Pa.-based economic forecasting firm.

By 1990 Wefa expects the level of discounting and couponing to advance to 21.6 percent of meals at fast-food restaurants, an 8-percent rise over 1988 levels, and to 15.4 percent of meals at full-service restaurants, a 13-percent gain over deals made last year, said senior economic analyst Sally Yanchus.

Companies prone to discount abuse are usually trying to compensate for bigger marketing and operations problems, said Gottlieb, a former International House of Pancakes executive.

Wendy's, based in Dublin, Ohio, knows the ugly side-effects of discounting.

For its first quarter ended April 2, couponing added $12.3 million to company restaurant operating costs and slashed Wendy's pretax income by 77 percent, to $1.3 million.

"We really want to back off the couponing as soon as possible," said Wendy's chief executive, James Near. "We believe we'll be able to do this with some of the new marketing we have. But if our traffic starts to decline, we're going to stay right with the discounting. We're going to be as aggressive as we have to be in protecting and building our market share."

"We have to stand in there and fight," Near said, "and sometimes it's very expensive for us to do that, but we've learned that once you give up that customer, it's very difficult to get him back."

Rax Restaurants Inc., trying to bounce back from a disastrous rollout of its extended salad bar, is also couponing heavily to promote a new line of larger sandwiches. Its promotions include roast beef sandwiches, regularly $1.49, for 79 cents each.

Couponing contributed to Rax's $5 million first-half loss, said company president Larry Ritter.

"These are some of the toughest times we've ever been through," Ritter said.

Dallas-based Taco Villa Inc., which operates and franchises 148 Del Taco and Taco Villa Mexican restaurants, lost $507,000 in the first quarter largely because of "heavy competitive discounting in some key markets," said chief executive William L. Hyde Jr.

Since its purchase by London-based Grand Metropolitan PLC in January, Miami-based Burger King Corp. has tried to offset a lack of marketing direction by relying extensively on price promotions to hold its share of traffic.

Burger King is offering customers who buy a Whopper at full price a second Whopper for 35 cents.

Until the company's new marketing head, Gary Langstaff, finds a new national advertising agency to replace axed NW Ayer, Burger King's marketing is likely to remain tactical rather than strategic.

Over the next two years, increases in couponing at independent restaurants will outstrip gains in meal deals at chain operations, according to Wefa projections.

George Cascone, owner of Cascone's Italian Restaurant in Kansas City, Mo., and Johnny Cascone's Italian Restaurant in Overland Park, Kan., is one of the independents who are planning to expand couponing.

Cascone, who offers Monday-night dinner coupons, will widen his program to include a dinner special that may run several nights a week, he said.

Each Monday night the coupons bring in 70 to 110 diners who otherwise would not visit the restaurant, he said.

"We thought to generate more early-hour traffic, we'd do an early-bird dinner," Cascone said.

He also noted that his rivals are taking similar steps to divert traffic to their restaurants.

"We're in a competitive market," Cascone said. "I'm noticing in the paper that other restaurants are running either coupons or early-bird dinners more frequently."

Cascone's Monday dinner special features spaghetti or lasagna, with a salad, beverage, and dessert for $10.95 vs. an average per-person dinner check of about $12.60.

Operators want wage hike vetoed

(Continued from page 1)
both the Senate and the House, recently moved to a congressional reconciliation committee, which will iron out compromises that might assuage President Bush before the proposal reaches his desk.

Jeffrey Prince, a lobbyist for the National Restaurant Association, said Bush recently invited Bill Fisher, NRA executive vice president, and other food industry executives to the White House and assured them that, as the measure stands now, he is determined to veto it.

Those opposing an increase in the minimum wage defended their positions with a number of comments:

- Sixty-three feared that if the legislation passed, it would trigger an unstoppable surge in inflation.
- Fifty-eight argued that menu prices would increase and patronage would decline.
- Thirty-six complained that the typical food-service worker was either unworthy of a wage raise or had access to other income.
- Thirty-two said that if the bill is passed, the wage hike would force operators to lay off employees on the lower rungs, the very people the bill is designed to help.
- Twenty-one said the bill would require bottom-to-top staffwide salary upgrades from dish washers to chefs.
- Sixteen said an increase in the minimum wage would devastate small-business people.
- Twelve thought market conditions, not government, should dictate wage levels.
- The remainder just called to say no.

The 54 callers in favor of minimum-wage hikes, the majority of whom were employees at fast-food establishments and usually declined to leave their names, said they found it difficult to live at their current salary levels.

But the reactions of those opposing an increase were far more numerous.

"The market place should really set the tone for the minimum wage," said one caller who did not leave his name. "There are a lot of fast-food operations already paying $5, $6, and $7 an hour because they can't find people.

"Not only that, very few of the people who earn minimum wage are heads of households, trying to earn a living. They are high-school kids and women working part-time to get out of the house."

Santo Loparo, owner of Loparo's Restaurant in Mayfield Heights, Ohio, said too many workers don't deserve a minimum-wage increase.

"I have a lot of young high-school people working here part-time," Loparo said, "and they really don't know what they are doing most of the time.

"I don't think they deserve $3.35, let alone $4.55, per hour. It's real tough on us small restaurateurs to make it with this higher rate."

Richard Phelan, owner of the 15-unit Gingerbread Man, a family restaurant chain in Pennsylvania, agreed.

"If we were getting better employees, educated, trained, and willing to work, we would be willing to pay more," Phelan said. "The fact is we are not getting better employees or people with better attitudes."

'If we were getting better employees, educated, trained, and willing to work, we would be willing to pay more,' Richard Phelan said.

Bob Deeds, a Dallas Chili's manager, said a wage hike would force menu prices to rise and service to decline.

"Bush has got to veto this, because all we are going to see is a price increase and a loss of service," Deeds said. "It's going to be a wash, and we will not have accomplished anything."

Randy Verner, manager of Bonanza Family Restaurants [unrelated to the Bonanza steak-house chain] in Franklin, Tenn., said that even though the minimum wage has not risen in several years, he cannot support an increase.

"I know the minimum wage has not been increased in several years, but competition has driven the price of labor up anyway," Verner said. "It will be very inflationary, and the hike will be passed on to the customer; that's who's going to take it on the chin."

But Brenda E. Levy, a mid-fortyish woman who was forced to drop out of an apprentice chef program in Maryland because she could not live on the minimum-wage stipend she was earning in the program, was one of the 54 who hopes Bush does not veto the bill.

"I think members of the restaurant industry should be ashamed of the lack of pay for its personnel and the miserable low wages and lack of benefits that are out there, yet they want loyalty and long hours and hard work," Levy said. "They take home good profits and live comfortably while their personnel have to take two and three jobs just to make ends meet."

Nine callers favoring a minimum-wage hike were operators or managers who thought a higher wage would help alleviate the industry's labor shortage and bring a better-motivated worker.

Domino's in pan pizza wars

(Continued from page 1)
za is a $13.5 billion-a-year business. Pizza Hut has 20 percent to 22 percent of the market, followed by Domino's, at about 17 percent, and then Little Caesar's, at about 6 percent or 7 percent.

But pan pizza could also mean at least 10 percent in new, additional sales for Domino's — or $230 million to a chain that grossed $2.3 billion systemwide last year.

Pan pizza already accounts for 60 percent to 65 percent of sales at Pizza Hut, which introduced the product nationwide in 1981. Domino's own research shows that 40 percent of American pizza eaters prefer thick crusts.

Nevertheless, Monaghan approved the rollout only after intense pressure from advisers and franchisees, insiders said.

The Domino's menu had been limited to one pizza, in two sizes, 11 toppings, and one soft drink. Since 1973 the chain has offered a unique 30-minute delivery guarantee or at least $3 would be sliced from the bill.

Although Monaghan is insisting publicly that if the product fails, it could simply be removed from the system, marketing vice president Samuel Fine noted that the rollout is costing about $25 million.

About $15 million has been spent just for specially made sheet metal pans with perforated bottoms. Pizza Hut uses heavy, almost cast-iron pans with no holes.

Although the product had been considered for years, a rollout was not expected until late this summer. Domino's officials said the launch date was moved up to take advantage of the surprising ease with which store-level workers learned to handle the product in three- to four-hour training sessions.

But in recent months Pizza Hut and Little Caesar's, which rolled its own thick-crust pizza last October, had grabbed the pan pizza spotlight with aggressive promotions and discounting.

Pizza Hut's Rydell asserted his chain's market share had jumped four points since December.

The battle came to a head recently when Little Caesar's hauled Pizza Hut into court over the latter's use of the slogan "two great pizzas, one low price." Pizza Hut has countered that Little Caesar's cannot justifiably own a pitch phrase nearly as common as "two-for-one" or "buy-one-get-one-free."

Nevertheless, Little Caesar's has built its system on the two-for-one concept, and Pizza Hut has been pushing two pizzas priced at only a couple of dollars more than the price of one.

Domino's pan pizza prices are between those of the 10-inch and 16-inch originals.

DOMINO'S
Menu Sampler

	10-inch original	16-inch original	12-inch pan pizza
Original cheese pizza	$4.99	$ 8.49	—
New pan pizza	—	—	$ 7.49
Double cheese	$7.99	$ 9.49	$ 8.49
Five extra toppings	$7.99	$12.94	$11.49
Nine extra toppings	$8.74	$13.49	$12.49
Each topping separately	$ .75	$ 1.00	$ 1.00

Note: New York City prices.

The new product is 12 inches wide and carries the same measures of toppings as a 10-inch pizza but with about twice the cheese, almost one pound. The dough for pan pizza is formulated only slightly differently than the recipe for Domino's standard dough.

"It was something we just had to do," said Glenn Mueller, president of RPM Inc. in Gulfport, Miss., Domino's largest franchisee, with 280 outlets across the United States and in West Germany.

He estimated gearing up for thick crust cost his company $3 million over the past one and a half years as old ovens were replaced with two-speed double conveyors or double-deckers capable of cooking original pizzas simultaneously with pan pizzas, the original pizzas in six minutes and pan pizzas in about eight minutes.

"We might have done it years ago," Mueller said. "But Tom's been very good at keeping our focus on delivery, and only delivery."